

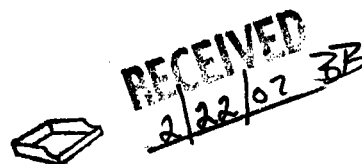
**Child,  
Van Wagoner &  
Bradshaw, PLLC**

**St. George Housing Authority**

**Independent Auditors' Reports, Management's  
Discussion and Analysis, and Supplemental  
Information**

**June 30, 2006**

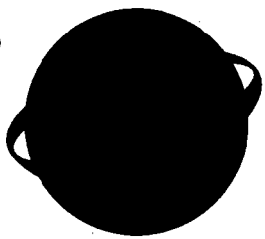
**With Independent Auditors' Report Thereon**



# **St. George Housing Authority**

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## Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners  
St. George Housing Authority  
St. George, Utah

We have audited the accompanying financial statements of the business-type activities and major fund of the St. George Housing Authority (the Authority), as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Authority as of June 30, 2006, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Board of Commissioners  
St. George Housing Authority

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedules I and II on pages 25 through 30 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements of the Authority. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Child, Van Wagoner & Bradshaw*

Child, Van Wagoner & Bradshaw, PLLC  
Kaysville, Utah  
November 7, 2006

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

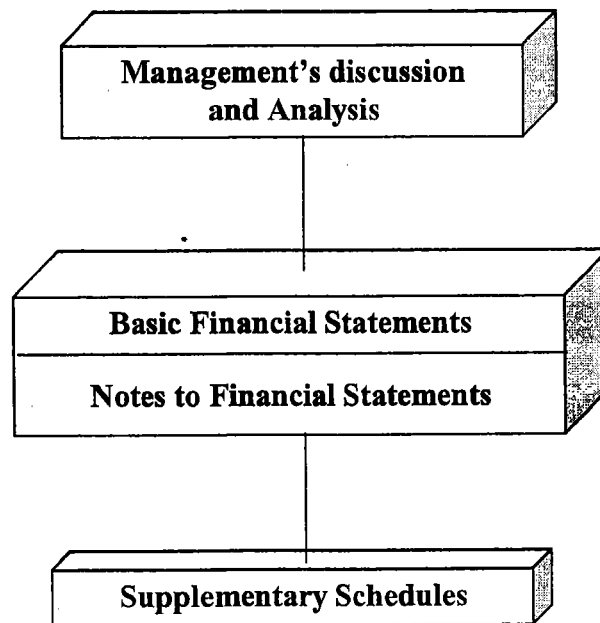
**St. George Housing Authority  
Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2006**

**INTRODUCTION**

The St. George Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the City of St. George, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD, and pass through awards through other state and local government agencies. The Authority is governed by a six-member board of commissioners, which is appointed by the Mayor of the City of St. George. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2006 (FY2006), to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2006 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



**St. George Housing Authority**  
**Management's Discussion and Analysis (MD&A) (continued)**  
**Year Ended June 30, 2006**

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

### **FINANCIAL HIGHLIGHTS**

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2006 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority increased \$223,400 as of June 30, 2006, from the prior year.
- The decrease in cash and cash equivalents for the year was \$14,034.
- The increase in accounts receivable-HUD for the year was \$5,191.
- Fixed assets increased \$356,608 during the year.
- The increase in short term notes payable for the year was \$80,000.
- Accounts payable decreased \$9,270 during the year.

### **AUTHORITY FINANCIAL STATEMENTS**

The Authority is presenting its FY2006 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. The Statement of Net Assets reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.

**St. George Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2006**

- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt* or *restricted net assets*.

The Statement of Revenues, Expenses and Changes in Net Assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, noncapital financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents several different programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, and by investment income and loan proceeds. In FY2006, the following programs (seen in the supplementary schedule of expenditures of federal awards on page 31) make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.
- *Grant Programs* – These programs account for HUD grant funds received for the following activities: Public Housing, Housing Opportunities for People with Aids, and Community Development Block Grants.
- *Capital Fund Program* – This program uses HUD capital contributions to fund new construction, major improvements to existing properties and operating expenditures authorized by HUD.



**St. George Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2006**

**Net Assets**

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

**St. George Housing Authority**  
**Statement of Net Assets**

	2006	2005	Total Percentage Change
Current assets	\$ 391,834	\$ 396,967	(1.3%)
Restricted deposits	5,400	5,125	5.4%
Fixed assets, net of depreciation	1,354,435	1,062,933	27.4%
Total assets	<u>1,751,669</u>	<u>1,465,025</u>	<u>19.6%</u>
Current liabilities	143,882	77,143	86.5%
Deposits and prepaid liabilities	5,400	5,125	5.4%
Non-current liabilities	58,013	61,783	(6.1%)
Total liabilities	<u>207,295</u>	<u>144,051</u>	<u>43.9%</u>
Net assets:			
Invested in capital assets	1,230,018	1,017,543	21.2%
Unrestricted net assets	314,356	303,431	3.6%
Total net assets	<u>\$ 1,544,374</u>	<u>\$1,320,974</u>	<u>16.9%</u>

***Fixed Assets***

Total fixed assets increased by \$356,608 as of June 30, 2006 compared with June 30, 2005 before accumulated depreciation. The primary source of the increase was due to the Authority purchasing an apartment duplex.

***Accounts Payable***

Accounts payable decreased by \$9,270 as of June 30, 2006 compared with June 30, 2005. The primary source of the decrease was due to the Authority waiting in the prior year to receive funds from HUD to pay vendors and in the current year the Authority was not waiting for such funds.

***Short Term Notes Payable***

Short term notes payable increased by \$80,000 as of June 30, 2006 compared with June 30, 2005. The primary source of the increase was due to the Authority taking a 90 day loan with Village Bank to procure the purchase of the apartment duplex while waiting for the State of Utah to complete the long term financing.

**St. George Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2006**

**Net Assets**

The Authority's net assets increased by \$223,400 during FY2006. At June 30, 2006, investments in capital assets comprise about 77% of the Authority's total assets, while these assets carry related current and long-term debt of approximately \$124,417 that is about 60% of its total liabilities. However, the amount invested in capital assets, net of related debt, amounts to about 80% of total net assets.

**Statement of Revenues, Expenses and Changes in Net Assets**

The results of operations for the Authority are presented below:

St. George Housing Authority  
Statement of Revenues, Expenses and Changes in Net Assets

	2006	2005	Increase/(Decrease)	
			Amount	Percentage
Operating revenues:				
Dwelling rentals	\$ 69,478	\$ 69,814	\$ (336)	(0.5%)
HUD PHA operating grants	1,368,446	1,148,741	219,705	19.1%
HUD capital grants	57,941	55,523	2,418	4.4%
Other government grants	-	17,106	(17,106)	(100.0%)
Other operating revenue	20,152	22,762	(2,610)	(11.5%)
Total operating revenues	1,516,017	1,313,946	202,071	
Operating expenses:				
Administration	213,431	202,303	11,128	5.5%
Utilities	11,457	11,659	(202)	(1.7%)
Operating and maintenance	52,773	51,197	1,576	3.1%
Insurance	9,701	8,424	1,277	15.2%
General expenditures	23,232	30,861	(7,629)	(24.7%)
Housing assistance payments	917,145	944,778	(27,633)	(2.9%)
Depreciation	65,108	59,298	5,810	9.8%
Total operating expenses	1,292,847	1,308,520	(15,673)	
Operating income	223,170	5,426	217,744	
Nonoperating revenues/(expenses):				
Interest income	2,646	2,319	327	14.1%
Interest expense	(2,416)	(2,291)	(125)	(5.5%)
Nonoperating expenses, net	230	28	202	
Change in net assets	\$ 223,400	\$ 5,454	\$ 217,946	

**St. George Housing Authority  
Management's Discussion and Analysis (continued)  
Year Ended June 30, 2006**

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2006, the Authority's revenues for its activities totaled \$1,516,017. Of this total, \$1,368,446, or about 90%, is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$1,292,847, of which \$917,145, or about 71%, was housing assistance payments.

About 0.2% of the Authority's total revenues in FY2006 were nonoperating revenues that are derived from interest income. The remaining 99.8% were operating revenues derived from dwelling rentals (4.6%), HUD PHA operating revenues (90.1%), HUD capital grants (3.8%), and other operating revenues (1.2%).

About 0.2% of the Authority's total expenses in FY2006 were nonoperating expenses that are derived from interest expense. The remaining 99.8% were operating expenses derived from administration (16.5%), utilities (0.9%), operating and maintenance (4.1%), insurance (0.8%), general expenditures (1.7%), housing assistance payments (70.8%), and depreciation (5.0%).

Increase in net assets for the year ended June 30, 2006 was \$223,400 compared with an increase of \$5,454 for the year ended June 30, 2005. The increase is due to the Authority receiving a CDBG grant of \$200,000 from the City of St. George for the purchase of an apartment duplex in 2006.

### **CAPITAL ASSETS**

The Authority's capital assets as of June 30, 2006, included land, buildings, furniture and equipment, leasehold improvements, and construction in progress that totaled \$2,143,557, most of which comprises rental units available for lease to low- and moderate-income residents. Capital assets, net of depreciation, increased \$291,502 from the preceding year.

	2006	2005	Change
Land	\$ 202,181	\$ 72,181	\$ 130,000
Buildings	1,566,563	1,354,870	211,693
Furniture and equipment	9,480	5,482	3,998
Leasehold improvements	365,333	284,629	80,704
Construction in progress	-	69,787	(69,787)
Accumulated depreciation	(789,122)	(724,016)	(65,106)
Total	<u>\$ 1,354,435</u>	<u>\$1,062,933</u>	<u>\$ 291,502</u>

**St. George Housing Authority  
Management's Discussion and Analysis (continued)  
Year Ended June 30, 2006**

**CONTACTING AUTHORITY MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, St. George Housing Authority, 975 North 1725 West, St. George, UT 84770.

**BASIC FINANCIAL STATEMENTS**

**St. George Housing Authority**  
**Statement of Net Assets**  
**June 30, 2006**

**Assets**

**Current assets:**

Cash - unrestricted (note 2)	\$ 363,391
Accounts receivable - HUD	20,832
Accounts receivable - other	3,546
Accrued interest receivable	819
Prepaid expenses	3,246
Total current assets	<u>391,834</u>

**Restricted deposits:**

Cash - tenants' security deposits (note 2)	<u>5,400</u>
Total restricted deposits	5,400

**Fixed assets:**

Land	202,181
Buildings	1,566,563
Furniture and equipment	9,480
Leasehold improvements	365,333
Total fixed assets	<u>2,143,557</u>
Less: accumulated depreciation	<u>(789,122)</u>
Net fixed assets	1,354,435

**Total assets**

\$ 1,751,669

See accompanying notes to basic financial statements.

**St. George Housing Authority**  
**Statement of Net Assets (continued)**  
**June 30, 2006**

**Liabilities**

**Current liabilities:**

Accounts payable	\$ 4,890
Accounts payable - HUD	44,743
Accrued payroll	2,377
Accrued compensated absences - current portion	10,546
Accrued interest payable	358
Short term notes payable	80,000
Mortgages payable - current portion (note 3)	968
Total current liabilities	<u>143,882</u>

**Deposits and prepaid liabilities:**

Tenants' security deposits	5,400
	<u>5,400</u>

**Long-term liabilities:**

Mortgages payable - less current portion (note 3)	43,449
Accrued compensated absences, non-current	14,564
Total non-current liabilities	<u>58,013</u>

Total liabilities	207,295
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**Net Assets**

Invested in capital assets, net of related debt	1,230,018
Unrestricted net assets	314,356
Total net assets	<u>1,544,374</u>
Total liabilities and net assets	<u><u>\$ 1,751,669</u></u>

See accompanying notes to basic financial statements.

**St. George Housing Authority**  
**Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**Year Ended June 30, 2006**

Operating revenues:	
Net tenant rental revenue	\$ 69,478
HUD PHA operating grants	1,368,446
Capital grants	57,941
Other operating revenues	20,152
Total operating revenues	<u>1,516,017</u>
Operating expenses:	
Administration	213,431
Utilities	11,457
Ordinary maintenance and operations	52,773
General	23,232
Insurance	9,701
Housing assistance payments	917,145
Depreciation	65,108
Total operating expenses	<u>1,292,847</u>
Operating income	223,170
Nonoperating revenues (expenses):	
Interest income	2,646
Interest expense	(2,416)
Nonoperating revenues (expenses)	<u>230</u>
Change in net assets	223,400
Net assets at beginning of year	1,320,974
Net assets at end of year	<u><u>\$ 1,544,374</u></u>

See accompanying notes to basic financial statements.



**St. George Housing Authority**  
**Statement of Cash Flows**  
**Year Ended June 30, 2006**

Cash flows from operating activities:

Dwelling rentals	\$ 63,190
HUD PHA operating grants	1,349,063
Capital grants	72,133
Other operating revenues	30,116
Interest	2,260
Total receipts	<u>1,516,762</u>

Administration	233,127
Utilities	11,457
Ordinary maintenance and operations	52,773
General	23,232
Insurance	9,701
Housing assistance payments	920,678
Interest	2,247
Total disbursements	<u>1,253,215</u>
Net cash provided by operating activities	<u>263,547</u>

Cash flows from investing activities:

-

Cash flows from noncapital financing activities:

-

Cash flows from capital financing activities:

Purchase of fixed assets	(356,608)
Increase in short-term debt	80,000
Principal payments on long-term debt	(973)
Net cash used in capital financing activities	<u>(277,581)</u>

Net decrease in cash and cash equivalents	(14,034)
Cash and cash equivalents at beginning of year	377,425
Cash and cash equivalents at end of year	<u><u>\$ 363,391</u></u>

See accompanying notes to basic financial statements.

**St. George Housing Authority**  
**Statement of Cash Flows (continued)**  
**Year Ended June 30, 2006**

Reconciliation of change in net assets to net cash provided by  
operating activities:

Change in net assets	\$ 223,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	65,108
(Increase) decrease in:	
Accounts receivable - HUD	(5,191)
Accounts receivable - miscellaneous	(2,924)
Accrued interest receivable	(386)
Prepaid expenses	(400)
Cash - tenants' security deposits	(275)
Increase (decrease) in:	
Accounts payable	(9,270)
Accounts payable - HUD	(3,533)
Accrued interest payable	169
Accrued payroll taxes payable	(1,052)
Accrued compensated absences	(2,374)
Tenants' security deposits	275
Net cash provided by operating activities	<u>\$ 263,547</u>

See accompanying notes to basic financial statements.

**St. George Housing Authority**  
**Notes to Financial Statements**  
**Year Ended June 30, 2006**

**1. Summary of Significant Accounting Policies**

Organization and History

The St. George Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the St. George, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of St. George (the City), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the City exercises no oversight responsibility either financially or administratively over the Authority.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments."* This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets.

The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended June 30, 2006**

**1. Summary of Significant Accounting Policies (Continued)**

**Management's Discussion and Analysis (new in the current year)** – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

**Statement of Net Assets** – The Statement of Net Assets is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

**Statement of Cash Flows** – The direct method is required by GASB Statement No. 34.

**Basis of Accounting**

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals, management fees, and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

**Cash and Cash Equivalents**

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2006 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits.

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended June 30, 2006**

**1. Summary of Significant Accounting Policies (Continued)**

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized. Construction in progress commences depreciation when the construction is complete and related assets placed in service.

<u>Major Groupings</u>	<u>Useful Lives (years)</u>
Buildings	15-40
Furniture and equipment	5-15
Leasehold improvements	15-40

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Pronouncements

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and FASB Statement No. 3. This statement changes the requirements for the accounting for and reporting of a change in accounting principle. Previously, Opinion 20 required that most voluntary changes in accounting principle be recognized by including in net income of the period of change the cumulative effect of changing to a new principle. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, when practicable. The adoption of SFAS No. 154 did not have a material impact on the Authority's financial condition or results of operations.

**2. Deposits**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended June 30, 2006**

**2. Deposits (continued)**

The Authority follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$47,503 of the Authority's bank balances of \$378,660 was uninsured and uncollateralized.

**3. Long-Term Debt**

Mortgage Payable

The mortgage payable is due to the Utah State Division of Finance in the amount of \$44,417. The note bears an interest rate of 5% per annum with monthly payments of \$268. The note is collateralized by the land and building. The note is due June, 2031.

<u>Loan</u>	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>06/30/06</u>
State of Utah	\$ 45,390	\$ -	\$ (973)	\$ 44,417
Total Long-Term Debt	<u>\$ 45,390</u>	<u>\$ -</u>	<u>\$ (973)</u>	44,417
Current portion				(968)
Net long-term debt				<u>\$ 43,449</u>

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 968	\$ 2,248
2008	1,018	2,198
2009	1,070	2,146
2010	1,124	2,092
2011	1,182	2,034
2012-2016	6,880	9,200
2017-2021	8,830	7,250
2022-2026	11,332	4,748
2027-2031	<u>12,013</u>	<u>1,537</u>
Total future maturities	<u>\$ 44,417</u>	<u>\$ 33,453</u>

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended June 30, 2006**

**4. Retirement Plan**

The Authority contributes to the Local Governmental Noncontributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by Utah Retirement Systems. Utah Retirement Systems provides retirement and survivor benefits to plan members and beneficiaries in accordance with retirement statutes.

The Utah Retirement Systems (the Systems) are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that include financial statements and required supplementary information for retirement plans administered by the Utah Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The Authority is legally obligated to contribute to the retirement systems as long as it has employees meeting membership requirements. The contribution rates are actuarially determined rates. The contribution rates in effect for the year ending June 30, 2006, and the two previous fiscal years, calculated on the applicable salary for the eligible employees are as follows:

<u>Year Ended June 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
2006	N/A	N/A	11.09%
2005	N/A	N/A	11.09%
2004	N/A	N/A	9.62%

The contributions made by the Authority for the year ended June 30, 2006 were paid by the due dates or within 30 days thereafter and were equal to the required contributions.

The required contributions and amounts received for the year ended June 30, 2006 and the two previous fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
Noncontributory System:				
Local Government Division:				
2006	\$ -	\$ -	\$ 11,879	\$ 107,113
2005	\$ -	\$ -	\$ 9,936	\$ 89,590
2004	\$ -	\$ -	\$ 7,953	\$ 82,667

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended June 30, 2006**

**4. Retirement Plan (continued)**

<u>Year Ended June 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>
Defined Contribution System:		
401 (K) Plan:		
2006	\$ 7,586	\$ 4,188
2005	\$ 3,940	\$ 3,503
2004	\$ 3,120	\$ 4,447

**5. Economic Dependency**

A majority of the revenues received by the Authority come from HUD. Programs operated by the Authority depend upon continued funding by the U.S. Government.

**6. Risk Management and Concentrations of Credit Risk**

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts that the Authority pays in the event of any loss. The Authority also has purchased a worker compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the St. George, Utah area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

**7. Changes in Fixed Assets**

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance 06/30/06</u>
Land	\$ 72,181	\$ 130,000	\$ -	\$ -	\$ 202,181
Buildings	1,354,870	163,499	-	48,194	1,566,563
Furniture and Equipment	5,482	3,998	-	-	9,480
Leasehold Improvements	284,629	59,111	-	21,593	365,333
Construction in Progress	69,787	-	-	(69,787)	-
Total Fixed Assets	1,786,949	356,608	-	-	2,143,557
Accumulated Depreciation	(724,016)	(65,108)	-	-	(789,122)
Net Fixed Assets	<u>\$ 1,062,933</u>	<u>\$ (5,568)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,354,435</u>



**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**Year Ended June 30, 2006**

**8. Interprogram Eliminations**

The Authority has interprogram receivables and payables at years ended June 30, 2006 of \$5,539 that have been eliminated on the basic financial statements.

**9. Short Term Notes Payable**

The Authority purchased a building during the year and applied for a loan with the State of Utah. While waiting for the State of Utah to complete the long term financing, the Authority borrowed \$80,000 via a short-term bridge loan from Village Bank for a 90-day period. The note has been paid in full in the period subsequent to June 30, 2006.

**Supplementary Information**

**St. George Housing Authority**  
**Financial Data Schedule I – Statement of Net Assets**  
**June 30, 2006**

PHA: UT021 FYED: 06/30/2006									
Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$50,534	\$0	\$0	\$0	\$92,697	\$220,160	\$0	\$363,391
114	Cash - Tenant Security Deposits	\$0	\$0	\$0	\$0	\$5,400	\$0	\$0	\$5,400
100	Total Cash	\$50,534	\$0	\$0	\$0	\$98,097	\$220,160	\$0	\$368,791
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$1,449	\$19,383	\$0	\$0	\$20,832
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$3,546	\$0	\$3,546
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$0	\$0	\$0	\$754	\$65	\$0	\$819
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$0	\$1,449	\$20,137	\$3,611	\$0	\$25,197
142	Prepaid Expenses and Other Assets	\$911	\$0	\$0	\$0	\$965	\$1,370	\$0	\$3,246
144	Interprogram Due From	\$0	\$0	\$0	\$0	\$30	\$5,509	\$0	\$5,539
150	Total Current Assets	\$51,445	\$0	\$0	\$1,449	\$119,229	\$230,850	\$0	\$402,773
161	Land	\$145,000	\$0	\$0	\$0	\$57,181	\$0	\$0	\$202,181
162	Buildings	\$304,989	\$0	\$0	\$0	\$1,240,308	\$0	\$21,268	\$1,566,563
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$0	\$0	\$0	\$3,998	\$3,998
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$0	\$0	\$5,482	\$0	\$5,482
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$305,248	\$0	\$60,085	\$365,333
166	Accumulated Depreciation	\$-33,956	\$0	\$0	\$0	\$-748,998	\$-4,568	\$-1,600	\$-789,122
160	Total Fixed Assets, Net of Accumulated Depreciation	\$416,033	\$0	\$0	\$0	\$853,739	\$914	\$83,749	\$1,354,435
180	Total Non-Current Assets	\$416,033	\$0	\$0	\$0	\$853,739	\$914	\$83,749	\$1,354,435
190	Total Assets	\$467,478	\$0	\$0	\$1,449	\$972,968	\$231,564	\$83,749	\$1,757,209

**St. George Housing Authority**  
**Financial Data Schedule I – Statement of Net Assets (continued)**  
**June 30, 2006**

PHA: UT021 FYED: 06/30/2006										
Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund	Program	Total
312	Accounts Payable <= 90 Days	\$398	\$0	\$0	\$0	\$2,845	\$1,847	\$0	\$0	\$4,890
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$0	\$0	\$2,377	\$0	\$0	\$2,377
322	Accrued Compensated Absences - Current Portion	\$714	\$0	\$0	\$0	\$2,323	\$7,509	\$0	\$0	\$10,546
325	Accrued Interest Payable	\$358	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$358
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$0	\$44,743	\$0	\$0	\$44,743
341	Tenant Security Deposits	\$0	\$0	\$0	\$0	\$5,400	\$0	\$0	\$0	\$5,400
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$968	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$968
345	Other Current Liabilities	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$80,000
347	Interprogram Due To	\$501	\$0	\$0	\$1,449	\$3,589	\$0	\$0	\$0	\$5,539
310	Total Current Liabilities	\$82,939	\$0	\$0	\$1,449	\$13,957	\$56,476	\$0	\$0	\$154,821
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$43,449	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43,449
354	Accrued Compensated Absences - Non Current	\$986	\$0	\$0	\$0	\$3,208	\$10,370	\$0	\$0	\$14,564
350	Total Noncurrent Liabilities	\$44,435	\$0	\$0	\$0	\$3,208	\$10,370	\$0	\$0	\$58,013
300	Total Liabilities	\$127,374	\$0	\$0	\$1,449	\$17,165	\$66,846	\$0	\$0	\$212,834
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$291,616	\$0	\$0	\$0	\$853,739	\$914	\$83,749	\$1,230,018	
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$48,488	\$0	\$0	\$0	\$102,064	\$163,804	\$0	\$0	\$314,356
513	Total Equity/Net Assets	\$340,104	\$0	\$0	\$0	\$955,803	\$164,718	\$83,749	\$1,544,374	
600	Total Liabilities and Equity/Net Assets	\$467,478	\$0	\$0	\$1,449	\$972,968	\$231,564	\$83,749	\$1,757,208	

**St. George Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**Year Ended June 30, 2006**

PHA: UT021 FYED: 06/30/2006

Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$14,020	\$0	\$0	\$0	\$49,170	\$0	\$0	\$63,190
704	Tenant Revenue - Other	\$145	\$0	\$0	\$0	\$6,143	\$0	\$0	\$6,288
705	Total Tenant Revenue	\$14,165	\$0	\$0	\$0	\$55,313	\$0	\$0	\$69,478
706	HUD PHA Operating Grants	\$0	\$200,000	\$0	\$7,900	\$38,734	\$1,110,700	\$11,112	\$1,368,446
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$57,941	\$57,941
711	Investment Income - Unrestricted	\$363	\$0	\$0	\$0	\$699	\$1,585	\$0	\$2,647
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$3,612	\$0	\$3,612
715	Other Revenue	\$0	\$0	\$0	\$0	\$7,578	\$15,562	\$0	\$23,140
700	Total Revenue	\$14,528	\$200,000	\$0	\$7,900	\$102,324	\$1,131,459	\$69,053	\$1,525,284

**St. George Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets (continued)**  
**Year Ended June 30, 2006**

PHA: UT021 FYED: 06/30/2006

Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$2,892	\$0	\$0	\$0	\$17,808	\$85,152	\$0	\$105,852
912	Auditing Fees	\$360	\$0	\$0	\$0	\$2,730	\$5,860	\$0	\$8,950
915	Employee Benefit Contributions - Administrative	\$694	\$0	\$0	\$0	\$8,197	\$32,162	\$0	\$41,053
916	Other Operating - Administrative	\$1,609	\$0	\$0	\$0	\$9,913	\$39,167	\$11,112	\$61,801
924	Tenant Services - Other	\$0	\$0	\$0	\$0	\$2,376	\$0	\$0	\$2,376
931	Water	\$681	\$0	\$0	\$0	\$2,531	\$0	\$0	\$3,212
932	Electricity	\$81	\$0	\$0	\$0	\$773	\$0	\$0	\$854
933	Gas	\$0	\$0	\$0	\$0	\$963	\$0	\$0	\$963
938	Other Utilities Expense	\$0	\$0	\$0	\$0	\$6,428	\$0	\$0	\$6,428
942	Ordinary Maintenance and Operations - Materials and Other	\$219	\$0	\$0	\$0	\$8,199	\$0	\$0	\$8,418
943	Ordinary Maintenance and Operations - Contract Costs	\$1,436	\$0	\$0	\$0	\$39,011	\$3,908	\$0	\$44,355
961	Insurance Premiums	\$802	\$0	\$0	\$0	\$4,575	\$4,324	\$0	\$9,701
962	Other General Expenses	\$0	\$0	\$0	\$7,900	\$0	\$15,332	\$0	\$23,232
967	Interest Expense	\$2,416	\$0	\$0	\$0	\$0	\$0	\$0	\$2,416
969	Total Operating Expenses	\$11,180	\$0	\$0	\$7,900	\$103,504	\$185,905	\$11,112	\$319,611
970	Excess Operating Revenue over Operating Expenses	\$3,338	\$200,000	\$0	\$0	\$-1,180	\$945,554	\$57,941	\$1,205,853
973	Housing Assistance Payments	\$0	\$0	\$0	\$0	\$0	\$817,145	\$0	\$817,145
974	Depreciation Expense	\$5,577	\$0	\$0	\$0	\$56,835	\$1,096	\$1,600	\$65,108
980	Total Expenses	\$16,767	\$0	\$0	\$7,900	\$180,339	\$1,104,146	\$12,712	\$1,301,864
1001	Operating Transfers In	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$200,000
1002	Operating Transfers Out	\$0	\$-200,000	\$0	\$0	\$0	\$0	\$0	\$-200,000
1010	Total Other Financing Sources (Uses)	\$200,000	\$-200,000	\$0	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$197,761	\$0	\$0	\$0	\$-58,015	\$27,313	\$56,341	\$223,400

**St. George Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets (continued)**  
**Year Ended June 30, 2006**

PHA: UT021 FYED: 06/30/2006

Line Item No.	Account Description	Business Activities	Community Development Block Grants/Entitlement Grants	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$142,343	\$0	\$350	\$637	\$967,767	\$136,418	\$73,459	\$1,320,974
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$-350	\$-637	\$46,051	\$987	\$-46,051	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$1,098,082	\$0	\$1,098,082
1114	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0	\$1,098,082	\$0	\$1,098,082
1120	Unit Months Available	24	0	0	0	360	2,928	0	3,312
1121	Number of Unit Months Leased	24	0	0	0	360	2,912	0	3,296

**St. George Housing Authority**  
**Notes to Financial Data Schedule**  
**Year Ended June 30, 2006**

**1. Basis of Presentation**

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

**2. Reconciliation to Basic Financial Statements**

An additional interprogram elimination was made in the amount of \$6,600 from the other revenue and administrative expenses, which would decrease the amount shown from the financial data schedule from the basic financial statements but would not have a net effect on the net income.

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	<u><b>Total assets</b></u>	<u><b>Total liabilities</b></u>	<u><b>Total equity</b></u>	<u><b>Net income</b></u>
Balances per Financial Data Schedules	\$1,757,208	212,834	1,544,374	223,400
Elimination of interprogram balances	<u>(5,539)</u>	<u>(5,539)</u>	<u>-</u>	<u>-</u>
Balances per basic financial statements	<u><u>\$1,751,669</u></u>	<u><u>207,295</u></u>	<u><u>1,544,374</u></u>	<u><u>223,400</u></u>



**St. George Housing Authority**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2006**

<u>Federal Assistance Programs Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing &amp; Urban Development (HUD)</b>		
<b>Direct Programs:</b>		
Section 8 Housing Choice Vouchers	14.871	\$ 1,110,700
Public Housing Operating Subsidy	14.850	38,734
Public Housing Capital Funds	14.872	69,053
<b>Passed Through from the Utah State Department of Community and Economic Development:</b>		
Housing Opportunities for Persons With AIDS	14.241	7,900
Community Development Block Grant	14.218	<u>200,000</u>
Total expenditures of federal awards		<u>\$ 1,426,387</u>

**St. George Housing Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2006**

**1. Scope of Audit Pursuant to OMB Circular A-133**

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

**2. Basis of Presentation**

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the June 30, 2006 financial statements of the Authority. The Authority reports to HUD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

**3. Contingencies**

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.



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## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
St. George Housing Authority  
St. George, Utah

We have audited the financial statements of the business activity and major fund of the St. George Housing Authority (the Authority) as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 7, 2006. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended June 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

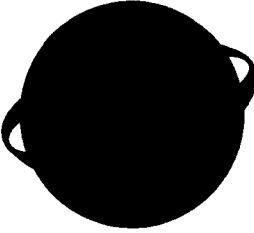
This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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November 7, 2006

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## Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Commissioners  
St. George Housing Authority  
St. George, Utah

### Compliance

We have audited the compliance of the St. George Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

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Board of Commissioners  
St. George Housing Authority

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, board of commissioners, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Child, Van Wagoner & Bradshaw*

Child, Van Wagoner, & Bradshaw, PLLC  
Kaysville, Utah  
November 7, 2006

**St. George Housing Authority  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2006**

**SECTION I - Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued:      Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?      \_\_\_\_\_ Yes        X   No
  
- Reportable condition(s) identified  
that are not considered to be material  
weaknesses?      \_\_\_\_\_ Yes        X   None reported

Non compliance material to financial  
statements noted?

\_\_\_\_\_ Yes        X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?      \_\_\_\_\_ Yes        X   No
  
- Reportable condition(s) identified  
that are not considered to be material  
weaknesses?      \_\_\_\_\_ Yes        X   None reported

Type of auditors' report issued on compliance for major programs:      Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with section 510(a)  
of Circular A-133?

\_\_\_\_\_ Yes        X   No

Identification of major programs?

CFDA Number(s)  
14.871

Name of Federal Program or Cluster  
Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish  
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_ No

**St. George Housing Authority**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended June 30, 2006**

**Section II-Financial Statement Findings and Questioned Costs**

No matters were reported for the year ended June 30, 2006.

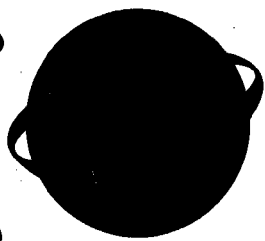
**Section III-Federal Award Findings and Questioned Costs**

No matters were reported for the year ended June 30, 2006.

**St. George Housing Authority**  
**Schedule of Findings and Questioned Costs - Prior Year**  
**Year Ended June 30, 2006**

No matters were reported for the fiscal year ended June 30, 2005.





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## St. George Housing Authority Independent Auditors' Report on State Legal Compliance Year Ended June 30, 2006

Board of Commissioners  
St. George Housing Authority  
St. George, Utah

We have audited the financial statements of the St. George Housing Authority (the Authority), for the year ended June 30, 2006, and have issued our report thereon dated November 7, 2006. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management  
Other Compliance Requirements

The Authority did not receive any major or non-major State grants during the year ended June 30, 2006.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended June 30, 2006.

*Child, Van Wagoner & Bradshaw*

Child, Van Wagoner, & Bradshaw, PLLC  
Kaysville, UT  
November 7, 2006

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